

Senate Amendment to
House File 2317

H-8090

1 Amend House File 2317, as passed by the House, as follows:

2 1. By striking everything after the enacting clause and
3 inserting:

4 <DIVISION I

5 SALE OF CERTAIN QUALIFIED STOCK — NET CAPITAL GAIN EXCLUSION

6 Section 1. Section 422.7, Code 2022, is amended by adding
7 the following new subsection:

8 NEW SUBSECTION. 63. *a.* Subtract the following percentage
9 of the net capital gain from the sale or exchange of capital
10 stock of a qualified corporation for which an election is made
11 by an employee-owner:

12 (1) For the tax year beginning in the 2023 calendar year,
13 thirty-three percent.

14 (2) For the tax year beginning in the 2024 calendar year,
15 sixty-six percent.

16 (3) For tax years beginning on or after January 1, 2025, one
17 hundred percent.

18 *b.* (1) An employee-owner is entitled to make one
19 irrevocable lifetime election to exclude the net capital
20 gain from the sale or exchange of capital stock of one
21 qualified corporation which capital stock was acquired by the
22 employee-owner while employed and on account of employment by
23 such qualified corporation.

24 (2) The election shall apply to all subsequent sales
25 or exchanges of qualifying capital stock of the elected
26 corporation within fifteen years of the date of the election,
27 provided that the subsequent sales or exchanges were of capital
28 stock in the same qualified corporation and were acquired by
29 the employee-owner while employed and on account of employment
30 by such qualified corporation.

31 (3) The election shall apply to qualifying capital stock
32 that has been transferred by inter vivos gift from the
33 employee-owner to the employee-owner's spouse or to a trust
34 for the benefit of the employee-owner's spouse following the
35 transfer. This subparagraph (3) shall apply to a spouse

1 only if the spouse was married to the employee-owner on the
2 date of the sale or exchange or the date of death of the
3 employee-owner.

4 (4) If the employee-owner dies after having sold or
5 exchanged qualifying capital stock without having made an
6 election under this subsection, the surviving spouse or, if
7 there is no surviving spouse, the personal representative of
8 the employee-owner's estate, may make the election that would
9 have qualified under this subsection.

10 (5) The election shall be made in the manner and form
11 prescribed by the department and shall be included with the
12 taxpayer's state income tax return for the taxable year in
13 which the election is made.

14 c. For purposes of this subsection:

15 (1) "*Capital stock*" means common or preferred stock, either
16 voting or nonvoting. "*Capital stock*" does not include stock
17 rights, stock warrants, stock options, or debt securities.

18 (2) "*Employee-owner*" means an individual who owns capital
19 stock in a qualified corporation for at least ten years, which
20 capital stock was acquired by the individual while employed and
21 on account of employment by such corporation for at least ten
22 cumulative years.

23 (3) "*Personal representative*" means the same as defined in
24 section 633.3, or if there is no such personal representative
25 appointed, then the person legally authorized to perform
26 substantially the same functions.

27 (4) (a) "*Qualified corporation*" means, with respect to an
28 employee-owner, a corporation which, at the time of the first
29 sale or exchange for which an election is made by the employee-
30 owner under this subsection, meets all of the following
31 conditions:

32 (i) The corporation employed individuals in this state for
33 at least ten years.

34 (ii) The corporation has had at least five shareholders for
35 the ten years prior to the first sale or exchange under this

1 subsection.

2 (iii) The corporation has had at least two shareholders or
3 groups of shareholders who are not related for the ten years
4 prior to the first sale or exchange under this subsection.

5 Two persons are considered related when, under section 318 of
6 the Internal Revenue Code, one is a person who owns, directly
7 or indirectly, capital stock that if directly owned would be
8 attributed to the other person, or is the brother, sister,
9 aunt, uncle, cousin, niece, or nephew of the other person who
10 owns capital stock either directly or indirectly.

11 (b) "*Qualified corporation*" includes any member of an Iowa
12 affiliated group if the Iowa affiliated group includes a member
13 that has employed individuals in this state for at least ten
14 years. For purposes of this subparagraph division, "*Iowa*
15 *affiliated group*" means an affiliated group that has made a
16 valid election to file an Iowa consolidated income tax return
17 under section 422.37 in the year in which the deduction under
18 this subsection is claimed. "*Member*" includes any entity
19 included in the consolidated return under section 422.37,
20 subsection 2, for the tax year in which the deduction is
21 claimed.

22 (c) "*Qualified corporation*" also includes any corporation
23 that was a party to a reorganization that was entirely or
24 substantially tax free if such reorganization occurred during
25 or after the employment of the employee-owner.

26 Sec. 2. EFFECTIVE DATE. This division of this Act takes
27 effect January 1, 2023.

28 Sec. 3. APPLICABILITY. This division of this Act applies to
29 tax years beginning on or after January 1, 2023.

30 DIVISION II

31 RETIRED FARMER LEASE INCOME EXCLUSION

32 Sec. 4. Section 422.7, Code 2022, is amended by adding the
33 following new subsection:

34 NEW SUBSECTION. 21A. a. Subtract, to the extent included,
35 net income received by an eligible individual pursuant to a

1 farm tenancy agreement covering real property held by the
2 eligible individual for ten or more years, if the eligible
3 individual materially participated in a farming business for
4 ten or more years.

5 *b.* An individual who elects to exclude income received
6 pursuant to a farm tenancy agreement under this subsection
7 shall not claim any of the following in the tax year in which
8 the election is made or in any succeeding year:

9 (1) The capital gain exclusion under subsection 21.

10 (2) The beginning farmer tax credit under section 422.11E.

11 *c.* Married individuals who file separate state income tax
12 returns shall allocate their combined annual exclusion limit
13 to each spouse in the proportion that each spouse's respective
14 net income from a farm tenancy agreement bears to the total net
15 income from a farm tenancy agreement.

16 *d.* The department shall establish criteria, by rule,
17 relating to whether and how a surviving spouse may claim the
18 income exclusion for which a deceased eligible individual would
19 have been eligible under this subsection.

20 *e.* Net income from a farm tenancy agreement earned,
21 received, or reported by an entity taxed as a partnership
22 for federal tax purposes, an S corporation, or a trust or
23 estate is not eligible for the election and deduction in this
24 subsection, even if such net income ultimately passes through
25 to an eligible individual.

26 *f.* For purposes of this subsection:

27 (1) "*Eligible individual*" means an individual who is
28 disabled or who is fifty-five years of age or older at the time
29 the election is made, who no longer materially participates in
30 a farming business at the time the election is made, and who,
31 as an owner-lessor, is party to a farm tenancy agreement.

32 (2) "*Farm tenancy agreement*" means a written agreement
33 outlining the rights and obligations of an owner-lessor and a
34 tenant-lessee where the tenant-lessee has a farm tenancy as
35 defined in section 562.1A. A "*farm tenancy agreement*" includes

1 cash leases, crop share leases, or livestock share leases.

2 (3) "*Farming business*" means the production, care, growing,
3 harvesting, preservation, handling, or storage of crops
4 or forest or fruit trees; the production, care, feeding,
5 management, and housing of livestock; or horticulture, all
6 intended for profit.

7 (4) "*Livestock*" means the same as defined in section 717.1.

8 (5) "*Materially participated*" means the same as "*material*
9 *participation*" in section 469(h) of the Internal Revenue Code.

10 Sec. 5. EFFECTIVE DATE. This division of this Act takes
11 effect January 1, 2023.

12 Sec. 6. APPLICABILITY. This division of this Act applies to
13 tax years beginning on or after January 1, 2023.

14 DIVISION III

15 RETIRED FARMER CAPITAL GAIN EXCLUSION

16 Sec. 7. Section 422.7, subsection 21, Code 2022, is amended
17 by striking the subsection and inserting in lieu thereof the
18 following:

19 21. a. For purposes of this subsection:

20 (1) "*Farming business*" means the production, care, growing,
21 harvesting, preservation, handling, or storage of crops
22 or forest or fruit trees; the production, care, feeding,
23 management, and housing of livestock; or horticulture, all for
24 intended profit.

25 (2) "*Held*" shall be determined with reference to the holding
26 period provisions of section 1223 of the Internal Revenue Code
27 and the federal regulations pursuant thereto.

28 (3) "*Livestock*" means the same as defined in section 717.1.

29 (4) "*Materially participated*" means the same as "*material*
30 *participation*" in section 469(h) of the Internal Revenue Code.

31 (5) (a) "*Real property used in a farming business*" means
32 all tracts of land and the improvements and structures located
33 on such tracts which are in good faith used primarily for
34 a farming business. Buildings which are primarily used or
35 intended for human habitation are deemed to be used in a

1 farming business when the building is located on or adjacent
2 to the parcel used in the farming business. Land and the
3 nonresidential improvements and structures located on such land
4 that shall be considered to be used primarily in a farming
5 business include but are not limited to land, improvements
6 or structures used for the storage or maintenance of farm
7 machinery or equipment, for the drying, storage, handling,
8 or preservation of agricultural crops, or for the storage of
9 farm inputs, feed, or manure. Real property used in a farming
10 business shall also include woodland, wasteland, pastureland,
11 and idled land used for the conservation of natural resources
12 including soil and water.

13 (b) Real property classified as agricultural property for
14 Iowa property tax purposes, except real property described
15 in section 441.21, subsection 12, paragraph "a" or "b",
16 shall be presumed to be real property used in a farming
17 business. This presumption is rebuttable by the department by
18 a preponderance of evidence that the real property did not meet
19 the requirements of subparagraph division (a).

20 (6) "Relative" means a person that satisfies one or more of
21 the following conditions:

22 (a) The individual is related to the taxpayer by
23 consanguinity or affinity within the second degree as
24 determined by common law.

25 (b) The individual is a lineal descendent of the taxpayer.
26 For purposes of this subparagraph division, "lineal descendent"
27 means children of the taxpayer, including legally adopted
28 children and biological children, stepchildren, grandchildren,
29 great-grandchildren, and any other lineal descendent of the
30 taxpayer.

31 (c) An entity in which an individual who satisfies the
32 conditions of either subparagraph division (a) or (b) has a
33 legal or equitable interest as an owner, member, partner, or
34 beneficiary.

35 (7) "Retired farmer" means an individual who is disabled

1 or who is fifty-five years of age or older and who no longer
2 materially participates in a farming business when an exclusion
3 and deduction is claimed under this subsection.

4 *b.* Subtract the net capital gain from the sale of real
5 property used in a farming business if one of the following
6 conditions are satisfied:

7 (1) The taxpayer has materially participated in a farming
8 business for a minimum of ten years and has held the real
9 property used in a farming business for a minimum of ten years.
10 If the taxpayer is a retired farmer, the taxpayer is considered
11 to meet the material participation requirement if the taxpayer
12 materially participated in a farming business for ten years or
13 more in the aggregate, prior to making an election under this
14 subsection.

15 (2) The taxpayer has held the real property used in a
16 farming business which is sold to a relative of the taxpayer.

17 *c.* For a taxpayer who is a retired farmer, subtract the
18 net capital gain from the sale of cattle or horses held by
19 the taxpayer for breeding, draft, dairy, or sporting purposes
20 for a period of twenty-four months or more from the date of
21 acquisition; but only if the taxpayer materially participated
22 in the farming business for five of the eight years preceding
23 the farmer's retirement or disability and who has sold all or
24 substantially all of the taxpayer's interest in the farming
25 business by the time the election under this paragraph is made.

26 *d.* For a taxpayer who is a retired farmer, subtract the net
27 capital gain from the sale of breeding livestock, other than
28 cattle and horses, if the livestock is held by the taxpayer for
29 a period of twelve months or more from the date of acquisition;
30 but only if the taxpayer materially participated in the farming
31 business for five of the eight years preceding the farmer's
32 retirement or disability and who has sold all or substantially
33 all of the taxpayer's interest in the farming business by the
34 time the election under this paragraph is made.

35 *e.* A taxpayer who is a retired farmer may make, subject to

1 the limitations described in paragraphs "f" and "g", a single,
2 lifetime election to exclude all qualifying capital gains under
3 paragraphs "b", "c", and "d".

4 *f.* A taxpayer who is a retired farmer who elects to exclude
5 capital gains under paragraph "b", "c", or "d" shall not claim
6 the beginning farmer tax credit under section 422.11E or the
7 exclusion for net income received pursuant to a farm tenancy
8 agreement in subsection 21A, in the tax year in which this
9 election is made or in any subsequent year.

10 *g.* A taxpayer who is a retired farmer who claims the
11 beginning farmer tax credit under section 422.11E shall not,
12 in the same year, make an election under this subsection. A
13 taxpayer who is a retired farmer and who elects to exclude
14 the net income received from a farm tenancy agreement under
15 subsection 21A, shall not, in the same tax year or in any
16 subsequent tax year, make the election under this subsection.

17 *h.* Married individuals who file separate state income tax
18 returns shall allocate their combined annual net capital gain
19 exclusion under paragraphs "b", "c", and "d" to each spouse in
20 the proportion that each spouse's respective net capital gain
21 bears to the total net capital gain.

22 *i.* The department shall establish criteria, by rule,
23 relating to whether and how a surviving spouse may claim the
24 income exclusion for which a deceased retired farmer would have
25 been eligible under this subsection.

26 Sec. 8. REPEAL. 2018 Iowa Acts, chapter 1161, section 113,
27 is repealed.

28 Sec. 9. REPEAL. 2019 Iowa Acts, chapter 162, section 1, is
29 repealed.

30 Sec. 10. EFFECTIVE DATE. This division of this Act takes
31 effect January 1, 2023.

32 Sec. 11. APPLICABILITY.

33 1. This division of this Act applies to tax years beginning
34 on or after January 1, 2023.

35 2. This division of this Act applies to sales consummated on

1 or after the effective date of this division of this Act, and
2 sales consummated prior to the effective date of this division
3 of this Act shall be governed by the law as it existed prior to
4 the effective date of this division of this Act.

5 DIVISION IV

6 INDIVIDUAL INCOME TAX RATES — TAX YEARS 2023-2025

7 Sec. 12. Section 422.5, subsection 3, paragraph b, Code
8 2022, is amended to read as follows:

9 b. (1) In lieu of the computation in subsection 1 or
10 2, or in paragraph "a" of this subsection, if the married
11 persons', filing jointly ~~or filing separately on a combined~~
12 ~~return~~, head of household's, or surviving spouse's net income
13 exceeds thirteen thousand five hundred dollars, the regular
14 tax imposed under this subchapter shall be the lesser of the
15 ~~maximum~~ alternate state individual income tax rate specified in
16 subparagraph (2) times the portion of the net income in excess
17 of thirteen thousand five hundred dollars or the regular tax
18 liability computed without regard to this sentence. Taxpayers
19 electing to file separately shall compute the alternate tax
20 described in this paragraph using the total net income of the
21 ~~husband and wife~~ spouses. The alternate tax described in this
22 paragraph does not apply if one spouse elects to carry back or
23 carry forward the loss as provided in section 422.9, subsection
24 3.

25 (2) (a) (i) (A) For the tax year beginning on or after
26 January 1, 2023, but before January 1, 2024, the alternate tax
27 rate is 6.00 percent.

28 (B) For the tax year beginning on or after January 1, 2024,
29 but before January 1, 2025, the alternate tax rate is 5.70
30 percent.

31 (C) For the tax year beginning on or after January 1, 2025,
32 but before January 1, 2026, the alternate tax rate is 5.20
33 percent.

34 (ii) This subparagraph division (a) is repealed January 1,
35 2026.

1 (b) For tax years beginning on or after January 1, 2026, the
2 alternate tax rate is 4.40 percent.

3 Sec. 13. Section 422.5, subsection 3B, paragraph b, Code
4 2022, is amended to read as follows:

5 b. (1) In lieu of the computation in subsection 1, 2, or 3,
6 if the married persons', filing jointly ~~or filing separately on~~
7 ~~a combined return,~~ head of household's, or surviving spouse's
8 net income exceeds thirty-two thousand dollars, the regular
9 tax imposed under this subchapter shall be the lesser of the
10 ~~maximum~~ alternate state individual income tax rate specified in
11 subparagraph (2) times the portion of the net income in excess
12 of thirty-two thousand dollars or the regular tax liability
13 computed without regard to this sentence. Taxpayers electing
14 to file separately shall compute the alternate tax described in
15 this paragraph using the total net income of the ~~husband and~~
16 ~~wife~~ spouses. The alternate tax described in this paragraph
17 does not apply if one spouse elects to carry back or carry
18 forward the loss as provided in section 422.9, subsection 3.

19 (2) (a) (i) (A) For the tax year beginning on or after
20 January 1, 2023, but before January 1, 2024, the alternate tax
21 rate is 6.00 percent.

22 (B) For the tax year beginning on or after January 1, 2024,
23 but before January 1, 2025, the alternate tax rate is 5.70
24 percent.

25 (C) For the tax year beginning on or after January 1, 2025,
26 but before January 1, 2026, the alternate tax rate is 5.20
27 percent.

28 (ii) This subparagraph division (a) is repealed January 1,
29 2026.

30 (b) For tax years beginning on or after January 1, 2026, the
31 alternate tax rate is 4.40 percent.

32 Sec. 14. Section 422.5, subsection 6, Code 2022, is amended
33 to read as follows:

34 6. a. Upon determination of the latest cumulative inflation
35 factor, the director shall multiply each dollar amount set

1 forth in [section 422.5A](#) by this cumulative inflation factor,
2 shall round off the resulting product to the nearest one
3 dollar, and shall incorporate the result into the income tax
4 forms and instructions for each tax year.

5 b. This subsection is repealed on January 1, 2026.

6 Sec. 15. Section 422.5A, Code 2022, is amended by striking
7 the section and inserting in lieu thereof the following:

8 **422.5A Tax rates.**

9 1. a. The tax imposed in section 422.5 shall be calculated
10 using the following rates in the following tax years in the
11 case of married persons filing jointly:

12 (1) For the tax year beginning on or after January 1, 2023,
13 but before January 1, 2024:

14 (a) On taxable income from 0 through \$12,000, the rate of
15 4.40 percent.

16 (b) On taxable income exceeding \$12,000 but not exceeding
17 \$60,000, the rate of 4.82 percent.

18 (c) On taxable income exceeding \$60,000 but not exceeding
19 \$150,000, the rate of 5.70 percent.

20 (d) On taxable income exceeding \$150,000, the rate of 6.00
21 percent.

22 (2) For the tax year beginning on or after January 1, 2024,
23 but before January 1, 2025:

24 (a) On taxable income from 0 through \$12,000, the rate of
25 4.40 percent.

26 (b) On taxable income exceeding \$12,000 but not exceeding
27 \$60,000, the rate of 4.82 percent.

28 (c) On taxable income exceeding \$60,000, the rate of 5.70
29 percent.

30 (3) For the tax year beginning on or after January 1, 2025,
31 but before January 1, 2026:

32 (a) On taxable income from 0 through \$12,000, the rate of
33 4.40 percent.

34 (b) On taxable income exceeding \$12,000, the rate of 4.82
35 percent.

1 *b.* The tax imposed in section 422.5 shall be calculated
2 using the following rates in the following tax years in the
3 case of any other taxpayer other than married persons filing
4 jointly:

5 (1) For the tax year beginning on or after January 1, 2023,
6 but before January 1, 2024:

7 (a) On taxable income from 0 through \$6,000, the rate of
8 4.40 percent.

9 (b) On taxable income exceeding \$6,000 but not exceeding
10 \$30,000, the rate of 4.82 percent.

11 (c) On taxable income exceeding \$30,000 but not exceeding
12 \$75,000, the rate of 5.70 percent.

13 (d) On taxable income exceeding \$75,000, the rate of 6.00
14 percent.

15 (2) For the tax year beginning on or after January 1, 2024,
16 but before January 1, 2025:

17 (a) On taxable income from 0 through \$6,000, the rate of
18 4.40 percent.

19 (b) On taxable income exceeding \$6,000 but not exceeding
20 \$30,000, the rate of 4.82 percent.

21 (c) On taxable income exceeding \$30,000, the rate of 5.70
22 percent.

23 (3) For the tax year beginning on or after January 1, 2025,
24 but before January 1, 2026:

25 (a) On taxable income from 0 through \$6,000, the rate of
26 4.40 percent.

27 (b) On taxable income exceeding \$6,000, the rate of 4.82
28 percent.

29 2. This section is repealed January 1, 2026.

30 Sec. 16. REPEAL. 2018 Iowa Acts, chapter 1161, section 107,
31 is repealed.

32 Sec. 17. EFFECTIVE DATE. This division of this Act takes
33 effect January 1, 2023.

34 Sec. 18. APPLICABILITY. This division of this Act applies
35 to tax years beginning on or after January 1, 2023.

1 DIVISION V

2 INDIVIDUAL INCOME TAX — FLAT RATE

3 Sec. 19. Section 421.27, subsection 9, paragraph a,
4 subparagraph (3), Code 2022, is amended to read as follows:

5 (3) In the case of all other entities, including
6 corporations described in [section 422.36, subsection 5](#), and all
7 other entities required to file an information return under
8 section 422.15, subsection 2, the entity's Iowa net income
9 after the application of the Iowa business activity ratio,
10 if applicable, multiplied by the ~~top~~ income tax rate imposed
11 under [section 422.5A 422.5](#) for the tax year, less any Iowa tax
12 credits available to the entity.

13 Sec. 20. Section 422.5, subsection 1, paragraph a, Code
14 2022, is amended to read as follows:

15 a. A tax is imposed upon every resident and nonresident
16 of the state which tax shall be levied, collected, and paid
17 annually upon and with respect to the entire taxable income
18 as defined in [this subchapter](#) at ~~rates as provided in section~~
19 ~~422.5A~~ a rate of three and nine-tenths percent.

20 Sec. 21. Section 422.16B, subsection 2, paragraph a, Code
21 2022, is amended to read as follows:

22 a. (1) A pass-through entity shall file a composite return
23 on behalf of all nonresident members and shall report and pay
24 the income or franchise tax imposed under [this chapter](#) at the
25 maximum state income or franchise tax rate applicable to the
26 member under [section 422.5A 422.5, 422.33, or 422.63](#) on the
27 nonresident members' distributive shares of the income from the
28 pass-through entity.

29 (2) The tax rate applicable to a tiered pass-through entity
30 shall be the ~~maximum~~ state income tax rate under section ~~422.5A~~
31 422.5.

32 Sec. 22. Section 422.25A, subsection 5, paragraph c,
33 subparagraphs (3), (4), and (5), Code 2022, are amended to read
34 as follows:

35 (3) Determine the total distributive share of all final

1 federal partnership adjustments and positive reallocation
2 adjustments as modified by [this title](#) that are reported to
3 nonresident individual partners and nonresident fiduciary
4 partners and allocate and apportion such adjustments as
5 provided in [section 422.33](#) at the partnership or tiered
6 partner level, and multiply the resulting amount by the ~~maximum~~
7 individual income tax rate pursuant to [section 422-5A 422.5](#) for
8 the reviewed year.

9 (4) For the total distributive share of all final federal
10 partnership adjustments and positive reallocation adjustments
11 as modified by [this title](#) that are reported to tiered partners:

12 (a) Determine the amount of such adjustments which are of a
13 type that would be subject to sourcing to Iowa under section
14 422.8, subsection 2, paragraph "a", as a nonresident, and then
15 determine the portion of this amount that would be sourced to
16 Iowa under those provisions as if the tiered partner were a
17 nonresident.

18 (b) Determine the amount of such adjustments which are of
19 a type that would not be subject to sourcing to Iowa under
20 section 422.8, subsection 2, paragraph "a", as a nonresident.

21 (c) Determine the portion of the amount in subparagraph
22 division (b) that can be established, as prescribed by the
23 department by rule, to be properly allocable to indirect
24 partners that are nonresident partners or other partners not
25 subject to tax on the adjustments.

26 (d) Multiply the total of the amounts determined in
27 subparagraph divisions (a) and (b), reduced by any amount
28 determined in subparagraph division (c), by the ~~highest~~
29 individual income tax rate pursuant to [section 422-5A 422.5](#) for
30 the reviewed year.

31 (5) For the total distributive share of all final federal
32 partnership adjustments and positive reallocation adjustments
33 as modified by [this title](#) that are reported to resident
34 individual partners and resident fiduciary partners, multiply
35 that amount by the ~~highest~~ individual income tax rate pursuant

1 to ~~section 422.5A~~ 422.5 for the reviewed year.

2 Sec. 23. EFFECTIVE DATE. This division of this Act takes
3 effect January 1, 2026.

4 Sec. 24. APPLICABILITY. This division of this Act applies
5 to tax years beginning on or after January 1, 2026.

6 DIVISION VI

7 RETIREMENT INCOME

8 Sec. 25. Section 422.5, subsection 3, paragraph a, Code
9 2022, is amended to read as follows:

10 a. The tax shall not be imposed on a resident or nonresident
11 whose net income, as defined in section 422.7, is thirteen
12 thousand five hundred dollars or less in the case of married
13 persons filing jointly or filing separately on a combined
14 return, heads of household, and surviving spouses or nine
15 thousand dollars or less in the case of all other persons; but
16 in the event that the payment of tax under this subchapter
17 would reduce the net income to less than thirteen thousand five
18 hundred dollars or nine thousand dollars as applicable, then
19 the tax shall be reduced to that amount which would result
20 in allowing the taxpayer to retain a net income of thirteen
21 thousand five hundred dollars or nine thousand dollars as
22 applicable. The preceding sentence does not apply to estates
23 or trusts. For the purpose of this subsection, the entire net
24 income, including any part of the net income not allocated
25 to Iowa, shall be taken into account. ~~For purposes of this~~
26 ~~subsection, net income includes all amounts of pensions or~~
27 ~~other retirement income, except for military retirement pay~~
28 ~~excluded under section 422.7, subsection 31A, paragraph "a", or~~
29 ~~section 422.7, subsection 31B, paragraph "a", received from any~~
30 ~~source which is not taxable under this subchapter as a result~~
31 ~~of the government pension exclusions in section 422.7, or any~~
32 ~~other state law. If the combined net income of a husband and~~
33 ~~wife exceeds thirteen thousand five hundred dollars, neither~~
34 ~~of them shall receive the benefit of this subsection, and it~~
35 ~~is immaterial whether they file a joint return or separate~~

1 returns. However, if a husband and wife file separate returns
2 and have a combined net income of thirteen thousand five
3 hundred dollars or less, neither spouse shall receive the
4 benefit of this paragraph, if one spouse has a net operating
5 loss and elects to carry back or carry forward the loss as
6 provided in [section 422.9, subsection 3](#). A person who is
7 claimed as a dependent by another person as defined in section
8 422.12 shall not receive the benefit of [this subsection](#) if
9 the person claiming the dependent has net income exceeding
10 thirteen thousand five hundred dollars or nine thousand dollars
11 as applicable or the person claiming the dependent and the
12 person's spouse have combined net income exceeding thirteen
13 thousand five hundred dollars or nine thousand dollars as
14 applicable.

15 Sec. 26. Section 422.5, subsection 3B, paragraph a, Code
16 2022, is amended to read as follows:

17 a. The tax shall not be imposed on a resident or nonresident
18 who is at least sixty-five years old on December 31 of
19 the tax year and whose net income, as defined in section
20 422.7, is thirty-two thousand dollars or less in the case
21 of married persons filing jointly or filing separately on a
22 combined return, heads of household, and surviving spouses or
23 twenty-four thousand dollars or less in the case of all other
24 persons; but in the event that the payment of tax under this
25 subchapter would reduce the net income to less than thirty-two
26 thousand dollars or twenty-four thousand dollars as applicable,
27 then the tax shall be reduced to that amount which would result
28 in allowing the taxpayer to retain a net income of thirty-two
29 thousand dollars or twenty-four thousand dollars as applicable.
30 The preceding sentence does not apply to estates or trusts.
31 For the purpose of [this subsection](#), the entire net income,
32 including any part of the net income not allocated to Iowa,
33 shall be taken into account. ~~For purposes of [this subsection](#),~~
34 ~~net income includes all amounts of pensions or other retirement~~
35 ~~income, except for military retirement pay excluded under~~

1 ~~section 422.7, subsection 31A, paragraph "a", or section 422.7,~~
2 ~~subsection 31B, paragraph "a", received from any source which is~~
3 ~~not taxable under this subchapter as a result of the government~~
4 ~~pension exclusions in section 422.7, or any other state law.~~

5 If the combined net income of a husband and wife exceeds
6 thirty-two thousand dollars, neither of them shall receive the
7 benefit of this subsection, and it is immaterial whether they
8 file a joint return or separate returns. However, if a husband
9 and wife file separate returns and have a combined net income
10 of thirty-two thousand dollars or less, neither spouse shall
11 receive the benefit of this paragraph, if one spouse has a net
12 operating loss and elects to carry back or carry forward the
13 loss as provided in section 422.9, subsection 3. A person
14 who is claimed as a dependent by another person as defined in
15 section 422.12 shall not receive the benefit of this subsection
16 if the person claiming the dependent has net income exceeding
17 thirty-two thousand dollars or twenty-four thousand dollars
18 as applicable or the person claiming the dependent and the
19 person's spouse have combined net income exceeding thirty-two
20 thousand dollars or twenty-four thousand dollars as applicable.

21 Sec. 27. Section 422.7, subsection 31, Code 2022, is amended
22 to read as follows:

23 31. a. ~~For a person who is disabled, or is fifty-five years~~
24 ~~of age or older, or is the surviving spouse of an individual or~~
25 ~~a survivor having an insurable interest in an individual who~~
26 ~~would have qualified for the exemption under this subsection~~
27 ~~for the tax year, subtract Subtract, to the extent included,~~
28 the total amount of received from a governmental or other
29 pension or retirement pay plan, including, ~~but not limited~~
30 ~~to,~~ defined benefit or defined contribution plans, annuities,
31 individual retirement accounts, plans maintained or contributed
32 to by an employer, or maintained or contributed to by a
33 self-employed person as an employer, and deferred compensation
34 plans or any earnings attributable to the deferred compensation
35 plans, ~~up to a maximum of six thousand dollars for a person,~~

1 ~~other than a husband or wife, who files a separate state income~~
2 ~~tax return and up to a maximum of twelve thousand dollars~~
3 ~~for a husband and wife who file a joint state income tax~~
4 ~~return. However, a surviving spouse who is not disabled or~~
5 ~~fifty-five years of age or older can only exclude the amount~~
6 ~~of pension or retirement pay received as a result of the death~~
7 ~~of the other spouse. A husband and wife filing separate state~~
8 ~~income tax returns or separately on a combined state return~~
9 ~~are allowed a combined maximum exclusion under this subsection~~
10 ~~of up to twelve thousand dollars. The twelve thousand dollar~~
11 ~~exclusion shall be allocated to the husband or wife in the~~
12 ~~proportion that each spouse's respective pension and retirement~~
13 ~~pay received bears to total combined pension and retirement~~
14 ~~pay received received by a person who is disabled, or is~~
15 ~~fifty-five years of age or older, or is the surviving spouse of~~
16 ~~an individual or is a survivor having an insurable interest in~~
17 ~~an individual who would have qualified for the exemption under~~
18 ~~this subsection for the tax year.~~

19 b. Married taxpayers who file separate state income tax
20 returns shall allocate their combined annual exclusion amount
21 to each spouse in the proportion that each spouse's respective
22 income received from a pension or retirement plan bears to the
23 total combined pension or retirement pay received.

24 c. A taxpayer who is not disabled or fifty-five years of
25 age or older and who receives pension or retirement pay as a
26 surviving spouse or as a survivor with an insurable interest
27 in an individual who would have qualified for the exemption
28 for the tax year may only exclude the amount received from a
29 pension or retirement plan in the tax year as a result of the
30 death of the decedent.

31 Sec. 28. EFFECTIVE DATE. This division of this Act takes
32 effect January 1, 2023.

33 Sec. 29. APPLICABILITY. This division of this Act applies
34 to tax years beginning on or after January 1, 2023.

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DIVISION VII

RESEARCH ACTIVITIES TAX CREDIT

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Sec. 30. Section 15.335, subsection 4, paragraph a, Code 2022, is amended to read as follows:

a. In lieu of the credit amount computed in subsection 2, an eligible business ~~may~~ shall elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative simplified credit described in section 41(c)(4) of the Internal Revenue Code if the taxpayer elected or was required to use the alternative simplified credit method for federal income tax purposes for the same taxable year. ~~The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent tax year.~~

Sec. 31. Section 15.335, subsection 5, Code 2022, is amended to read as follows:

5. The credit allowed in this section is in addition to the credit authorized in section 422.10 and section 422.33, subsection 5. ~~However, if the alternative credit computation method is used in section 422.10 or section 422.33, subsection 5, the credit allowed in this section shall also be computed using that method.~~ The regular or alternative credit allowed in this section shall be computed according to the same claim, calculation, and refund limitations in section 422.10 and section 422.33, subsection 5, as applicable, including those described in section 422.10, subsection 1, paragraph "a", and section 422.10, subsection 1, paragraph "b", subparagraph (3), and section 422.10, subsection 4, and those described in section 422.33, subsection 5, paragraph "b", subparagraph (2), and section 422.33, subsection 5, paragraphs "e" and "g".

Sec. 32. Section 15.335, subsection 8, Code 2022, is amended to read as follows:

8. a. Any ~~The following~~ percentage of any credit in excess of the tax liability for the taxable year shall be refunded

1 with interest in accordance with [section 421.60, subsection 2,](#)
2 paragraph "e":

3 (1) For the tax year beginning on or after January 1, 2023,
4 but before January 1, 2024, ninety-five percent.

5 (2) For the tax year beginning on or after January 1, 2024,
6 but before January 1, 2025, ninety percent.

7 (3) For the tax year beginning on or after January 1, 2025,
8 but before January 1, 2026, eighty-five percent.

9 (4) For the tax year beginning on or after January 1, 2026,
10 but before January 1, 2027, eighty percent.

11 (5) For tax years beginning on or after January 1, 2027,
12 seventy-five percent.

13 b. In lieu of claiming a refund, a taxpayer may elect to
14 have the overpayment otherwise eligible for a refund shown on
15 its final, completed return credited to the tax liability for
16 the following tax year.

17 Sec. 33. Section 422.10, subsection 1, paragraph a, Code
18 2022, is amended by adding the following new subparagraph:

19 NEW SUBPARAGRAPH. (3) The credit provided in this section
20 is claimed on a return filed by the due date for filing the
21 return, including extensions of time. If timely claimed, the
22 business shall not increase the credit claim on an amended
23 return or otherwise unless either of the following apply:

24 (a) The amended return is filed within six months of the due
25 date for filing the return which includes extensions of time.

26 (b) The increase results from an audit or examination by the
27 internal revenue service or the department.

28 Sec. 34. Section 422.10, subsection 1, paragraph b, Code
29 2022, is amended by adding the following new subparagraph:

30 NEW SUBPARAGRAPH. (3) For the purpose of calculating
31 the state's apportioned share of the qualifying expenditures
32 for increasing research activities in subparagraph (2), the
33 following criteria shall apply only to the determination of
34 qualified research expenditures in this state:

35 (a) Wages paid to an employee for qualified services,

1 or contract research expenses paid to a third party for
2 the performance of qualified research services, shall only
3 constitute qualified research expenses in this state if the
4 services are performed in this state, and if the following
5 conditions are met, as applicable:

6 (i) For qualified services performed by employees, during
7 the period of the tax year that the business is engaging in one
8 or more research projects, a majority of the total services
9 performed by the employee for the business are directly related
10 to those research projects.

11 (ii) For the performance of qualified research services
12 by a third party, during the period of the business's tax
13 year that the third party is performing research services for
14 the business, a majority of the total services performed by
15 the person for the third party are directly related to those
16 research projects of the business.

17 (b) The substantially all rule for determining qualified
18 services as described in section 41(b)(2)(B) of the Internal
19 Revenue Code and Treas. Reg. 1.41-2(d)(2) does not apply.

20 (c) Amounts paid for the right to use computers as described
21 in section 41(b)(2)(A)(iii) of the Internal Revenue Code shall
22 not be qualified research expenses in this state.

23 (d) For tax years beginning on or after January 1, 2023, but
24 before January 1, 2027, amounts paid for supplies as defined
25 in section 41(b)(2)(C) of the Internal Revenue Code shall only
26 constitute qualified research expenses in this state if the
27 supplies directly relate to research performed in this state
28 and shall be limited to the following allowable percentages:

29 (i) For the tax year beginning on or after January 1, 2023,
30 but before January 1, 2024, eighty percent of the amounts paid
31 for supplies directly related to research performed in this
32 state.

33 (ii) For the tax year beginning on or after January 1, 2024,
34 but before January 1, 2025, sixty percent of the amounts paid
35 for supplies directly related to research performed in this

1 state.

2 (iii) For the tax year beginning on or after January 1,
3 2025, but before January 1, 2026, forty percent of the amounts
4 paid for supplies directly related to research performed in
5 this state.

6 (iv) For the tax year beginning on or after January 1, 2026,
7 but before January 1, 2027, twenty percent of the amounts paid
8 for supplies directly related to research performed in this
9 state.

10 (e) For tax years beginning on or after January 1, 2027,
11 amounts paid for supplies as defined in section 41(b)(2)(C)
12 of the Internal Revenue Code shall not be qualified research
13 expenses in this state.

14 Sec. 35. Section 422.10, subsection 1, paragraphs c and d,
15 Code 2022, are amended to read as follows:

16 *c.* In lieu of the credit amount computed in paragraph “b”,
17 subparagraph (1), subparagraph division (a), a taxpayer may
18 shall elect to compute the credit amount for qualified research
19 expenses incurred in this state in a manner consistent with the
20 alternative simplified credit described in section 41(c)(4)
21 of the Internal Revenue Code if the taxpayer elected or was
22 required to use the alternative simplified credit method for
23 federal income tax purposes for the same taxable year. The
24 ~~taxpayer may make this election regardless of the method used~~
25 ~~for the taxpayer’s federal income tax. The election made under~~
26 ~~this paragraph is for the tax year and the taxpayer may use~~
27 ~~another or the same method for any subsequent year.~~

28 *d.* For purposes of the alternate credit computation method
29 in paragraph “c”, the following criteria shall apply:

30 (1) The credit percentages applicable to qualified research
31 expenses described in section 41(c)(4)(A) and clause (ii) of
32 section 41(c)(4)(B) of the Internal Revenue Code are four
33 and fifty-five hundredths percent and one and ninety-five
34 hundredths percent, respectively.

35 (2) Basic research payments and qualified research expenses

1 shall only include amounts for research conducted in this
2 state. A taxpayer's qualified research expenses in this state
3 and average prior year qualified research expenses in this
4 state shall be determined in accordance with the criteria in
5 subsection 1, paragraph "b", subparagraph (3).

6 Sec. 36. Section 422.10, subsection 3, paragraph b, Code
7 2022, is amended to read as follows:

8 *b.* For purposes of this section, "*basic research payment*"
9 and "*qualified research expense*" mean the same as defined
10 for the federal credit for increasing research activities
11 under section 41 of the Internal Revenue Code, except ~~that~~
12 ~~for the alternative simplified credit such amounts are for~~
13 ~~research conducted within this state as otherwise described in~~
14 subsection 1, paragraph "b", subparagraph (3), and subsection
15 1, paragraph "d", subparagraph (2).

16 Sec. 37. Section 422.10, subsection 4, Code 2022, is amended
17 to read as follows:

18 4. *a.* (1) ~~Any~~ The following percentage of any credit in
19 excess of the tax liability imposed by section 422.5 less the
20 amounts of nonrefundable credits allowed under this subchapter
21 for the taxable year shall be refunded with interest in
22 accordance with section 421.60, subsection 2, paragraph "e":

23 (a) For the tax year beginning on or after January 1, 2023,
24 but before January 1, 2024, ninety percent.

25 (b) For the tax year beginning on or after January 1, 2024,
26 but before January 1, 2025, eighty percent.

27 (c) For the tax year beginning on or after January 1, 2025,
28 but before January 1, 2026, seventy percent.

29 (d) For the tax year beginning on or after January 1, 2026,
30 but before January 1, 2027, sixty percent.

31 (2) In lieu of claiming a refund pursuant to this paragraph,
32 a taxpayer may elect to have the overpayment otherwise eligible
33 for a refund shown on the taxpayer's final, completed return
34 credited to the tax liability for the following taxable year.

35 *b.* Commencing with tax years beginning on or after

1 January 1, 2027, fifty percent of any credit in excess of the
2 tax liability imposed by section 422.5 less the amounts of
3 nonrefundable credits allowed under this subchapter for the
4 taxable year shall be refunded with interest in accordance
5 with section 421.60, subsection 2, paragraph "e". In lieu of
6 claiming a refund, a taxpayer may elect to have the overpayment
7 otherwise eligible for a refund shown on the taxpayer's
8 final, completed return credited to the tax liability for the
9 following taxable year.

10 c. In applying the credit in this section against tax
11 liability and computing the eligible refund amount, the credit
12 shall be applied after all nonrefundable credits available
13 to the taxpayer are applied, but before any other refundable
14 credit available to the taxpayer is applied.

15 Sec. 38. Section 422.33, subsection 5, paragraph b, Code
16 2022, is amended to read as follows:

17 b. (1) The state's apportioned share of the qualifying
18 expenditures for increasing research activities is a percent
19 equal to the ratio of qualified research expenditures in this
20 state to the total qualified research expenditures.

21 (2) For the purpose of calculating the state's apportioned
22 share of the qualifying expenditures for increasing research
23 activities in subparagraph (1), the following criteria
24 shall apply only to the determination of qualified research
25 expenditures in this state:

26 (a) Wages paid to an employee for qualified services,
27 or contract research expenses paid to a third party for
28 the performance of qualified research services, shall only
29 constitute qualified research expenses in this state if the
30 services are performed in this state, and if the following
31 conditions are met, as applicable:

32 (i) For qualified services performed by employees, during
33 the period of the tax year that the business is engaging in one
34 or more research projects, a majority of the total services
35 performed by the employee for the business are directly related

1 to those research projects.

2 (ii) For the performance of qualified research services
3 by a third party, during the period of the business's tax
4 year that the third party is performing research services for
5 the business, a majority of the total services performed by
6 the person for the third party are directly related to those
7 research projects of the business.

8 (b) The substantially all rule for determining qualified
9 services as described in section 41(b)(2)(B) of the Internal
10 Revenue Code and Treas. Reg. 1.41-2(d)(2) does not apply.

11 (c) Amounts paid for the right to use computers as described
12 in section 41(b)(2)(A)(iii) of the Internal Revenue Code shall
13 not be qualified research expenses in this state.

14 (d) For tax years beginning on or after January 1, 2023, but
15 before January 1, 2027, amounts paid for supplies as defined
16 in section 41(b)(2)(C) of the Internal Revenue Code shall only
17 constitute qualified research expenses in this state if the
18 supplies directly relate to research performed in this state
19 and shall be limited to the following allowable percentages:

20 (i) For the tax year beginning on or after January 1, 2023,
21 but before January 1, 2024, eighty percent of the amounts paid
22 for supplies directly related to research performed in this
23 state.

24 (ii) For the tax year beginning on or after January 1, 2024,
25 but before January 1, 2025, sixty percent of the amounts paid
26 for supplies directly related to research performed in this
27 state.

28 (iii) For the tax year beginning on or after January 1,
29 2025, but before January 1, 2026, forty percent of the amounts
30 paid for supplies directly related to research performed in
31 this state.

32 (iv) For the tax year beginning on or after January 1, 2026,
33 but before January 1, 2027, twenty percent of the amounts paid
34 for supplies directly related to research performed in this
35 state.

1 (e) For tax years beginning on or after January 1, 2027,
2 amounts paid for supplies as defined in section 41(b)(2)(C)
3 of the Internal Revenue Code shall not be qualified research
4 expenses in this state.

5 Sec. 39. Section 422.33, subsection 5, paragraphs c and d,
6 Code 2022, are amended to read as follows:

7 c. In lieu of the credit amount computed in paragraph "a",
8 subparagraph (1), a corporation ~~may~~ shall elect to compute
9 the credit amount for qualified research expenses incurred
10 in this state in a manner consistent with the alternative
11 simplified credit described in section 41(c)(4) of the Internal
12 Revenue Code if the taxpayer elected or was required to use
13 the alternative simplified credit method for federal income
14 tax purposes for the same taxable year. ~~The taxpayer may make~~
15 ~~this election regardless of the method used for the taxpayer's~~
16 ~~federal income tax. The election made under this paragraph is~~
17 ~~for the tax year and the taxpayer may use another or the same~~
18 ~~method for any subsequent year.~~

19 d. For purposes of the alternate credit computation method
20 in paragraph "c", the following criteria shall apply:

21 (1) The credit percentages applicable to qualified research
22 expenses described in section 41(c)(4)(A) and clause (ii) of
23 section 41(c)(4)(B) of the Internal Revenue Code are four
24 and fifty-five hundredths percent and one and ninety-five
25 hundredths percent, respectively.

26 (2) Basic research payments and qualified research expenses
27 shall only include amounts for research conducted in this
28 state. A taxpayer's qualified research expenses in this state
29 and average prior year qualified research expenses in this
30 state shall be determined in accordance with the rules in
31 paragraph "b", subparagraph (2).

32 Sec. 40. Section 422.33, subsection 5, paragraph e, Code
33 2022, is amended by adding the following new subparagraph:

34 NEW SUBPARAGRAPH. (3) The credit provided in this
35 subsection is claimed on a return filed by the due date for

1 filing the return, including extensions of time. If timely
2 claimed, the business shall not increase the credit claim on
3 an amended return or otherwise unless either of the following
4 apply:

5 (a) The amended return is filed within six months of the due
6 date for filing the return which includes extensions of time.

7 (b) The increase results from an audit or examination by the
8 internal revenue service or the department.

9 Sec. 41. Section 422.33, subsection 5, paragraph f,
10 subparagraph (2), Code 2022, is amended to read as follows:

11 (2) For purposes of this subsection, "*basic research*
12 *payment*" and "*qualified research expense*" mean the same as
13 defined for the federal credit for increasing research
14 activities under section 41 of the Internal Revenue Code,
15 ~~except that for the alternative simplified credit such amounts~~
16 ~~are for research conducted within this state as otherwise~~
17 described in paragraph "b", subparagraph (2), and paragraph "d",
18 subparagraph (2).

19 Sec. 42. Section 422.33, subsection 5, paragraph g, Code
20 2022, is amended to read as follows:

21 g. (1) (a) Any The following percentage of the credit
22 in excess of the tax liability for the taxable year shall
23 be refunded with interest in accordance with section 421.60,
24 subsection 2, paragraph "e":

25 (i) For the tax year beginning on or after January 1, 2023,
26 but before January 1, 2024, ninety percent.

27 (ii) For the tax year beginning on or after January 1, 2024,
28 but before January 1, 2025, eighty percent.

29 (iii) For the tax year beginning on or after January 1,
30 2025, but before January 1, 2026, seventy percent.

31 (iv) For the tax year beginning on or after January 1, 2026,
32 but before January 1, 2027, sixty percent.

33 (b) In lieu of claiming a refund pursuant to this
34 subparagraph, a taxpayer may elect to have the overpayment
35 otherwise eligible for a refund shown on its final, completed

1 return credited to the tax liability for the following taxable
2 year.

3 (2) Commencing with tax years beginning on or after January
4 1, 2027, fifty percent of any credit in excess of the tax
5 liability for the taxable year shall be refunded with interest
6 in accordance with section 421.60, subsection 2, paragraph "e".
7 In lieu of claiming a refund, a taxpayer may elect to have
8 the overpayment otherwise eligible for a refund shown on its
9 final, completed return credited to the tax liability for the
10 following taxable year.

11 (3) In applying the credit in this subsection against tax
12 liability and computing the eligible refund amount, the credit
13 shall be applied after all nonrefundable credits available
14 to the taxpayer are applied, but before any other refundable
15 credit available to the taxpayer is applied.

16 Sec. 43. EFFECTIVE DATE. This division of this Act takes
17 effect January 1, 2023.

18 Sec. 44. APPLICABILITY. This division of this Act applies
19 to tax years beginning on or after January 1, 2023.

20 DIVISION VIII

21 OTHER TAX CREDITS

22 Sec. 45. Section 15.119, subsection 2, paragraph a, Code
23 2022, is amended by adding the following new subparagraph:
24 NEW SUBPARAGRAPH. (3) In allocating tax credits pursuant
25 to this subsection, the authority shall prioritize issuing
26 additional research activities tax credits pursuant to section
27 15.335.

28 Sec. 46. Section 15.293A, subsection 1, paragraph c,
29 subparagraph (2), Code 2022, is amended to read as follows:

30 (2) (a) A tax credit in excess of the taxpayer's liability
31 for the tax year is refundable if all of the following
32 conditions are met:

33 (a) (i) The taxpayer is an investor making application for
34 tax credits provided in [this section](#) and is an entity organized
35 under [chapter 504](#) and qualifying under section 501(c)(3) of the

1 Internal Revenue Code as an organization exempt from federal
2 income tax under section 501(a) of the Internal Revenue Code.

3 ~~(b)~~ (ii) The taxpayer establishes during the application
4 process described in [section 15.293B](#) that the requirement in
5 subparagraph division (a) is satisfied. The authority, when
6 issuing a certificate to a taxpayer that meets the requirements
7 in this subparagraph (2), shall indicate on the certificate
8 that such requirements have been satisfied.

9 (b) For a tax credit deemed refundable pursuant to
10 subparagraph division (a), the following percentage of the tax
11 credit in excess of the taxpayer's liability for the tax year
12 is refundable:

13 (i) For the tax year beginning on or after January 1, 2023,
14 but before January 1, 2024, ninety-five percent.

15 (ii) For the tax year beginning on or after January 1, 2024,
16 but before January 1, 2025, ninety percent.

17 (iii) For the tax year beginning on or after January 1,
18 2025, but before January 1, 2026, eighty-five percent.

19 (iv) For the tax year beginning on or after January 1, 2026,
20 but before January 1, 2027, eighty percent.

21 (v) For tax years beginning on or after January 1, 2027,
22 seventy-five percent.

23 Sec. 47. Section 15.293A, subsection 2, paragraph d, Code
24 2022, is amended to read as follows:

25 d. Tax credit certificates issued under [this section](#) may
26 be transferred to any person or entity, except a tax credit
27 certificate that is refundable under subsection 1, paragraph
28 "c", subparagraph (2), shall not be transferable. Within
29 ninety days of transfer, the transferee shall submit the
30 transferred tax credit certificate to the department of revenue
31 along with a statement containing the transferee's name, tax
32 identification number, and address, the denomination that each
33 replacement tax credit certificate is to carry, and any other
34 information required by the department of revenue.

35 Sec. 48. Section 15E.305, subsection 2, paragraph a, Code

1 2022, is amended to read as follows:

2 *a.* The maximum amount of tax credits granted to a taxpayer
3 shall not exceed ~~five percent~~ one hundred thousand dollars of
4 the aggregate amount of tax credits authorized.

5 Sec. 49. Section 15.331C, subsection 1, Code 2022, is
6 amended to read as follows:

7 1. *a.* An eligible business may claim a tax credit in an
8 amount equal to the sales and use taxes paid by a third-party
9 developer under chapter 423 for gas, electricity, water, or
10 sewer utility services, goods, wares, or merchandise, or
11 on services rendered, furnished, or performed to or for a
12 contractor or subcontractor and used in the fulfillment of a
13 written contract relating to the construction or equipping of
14 a facility of the eligible business. Taxes attributable to
15 intangible property and furniture and furnishings shall not
16 be included, but taxes attributable to racks, shelving, and
17 conveyor equipment to be used in a warehouse or distribution
18 center shall be included. ~~Any credit in excess of the tax~~
19 ~~liability for the tax year may be credited to the tax liability~~
20 ~~for the following seven years or until depleted, whichever~~
21 ~~occurs earlier.~~ An eligible business may elect to receive a
22 ~~refund~~ as a refund the following percentage of all or a portion
23 of an ~~unused~~ any tax credit in excess of the tax liability as
24 follows:

25 (1) For the tax year beginning on or after January 1, 2023,
26 but before January 1, 2024, ninety-five percent.

27 (2) For the tax year beginning on or after January 1, 2024,
28 but before January 1, 2025, ninety percent.

29 (3) For the tax year beginning on or after January 1, 2025,
30 but before January 1, 2026, eighty-five percent.

31 (4) For the tax year beginning on or after January 1, 2026,
32 but before January 1, 2027, eighty percent.

33 (5) For tax years beginning on or after January 1, 2027,
34 seventy-five percent.

35 *b.* In lieu of claiming a refund, a taxpayer may elect to

1 have the overpayment otherwise eligible for a refund shown on
2 the taxpayer's final, completed return credited to the tax
3 liability for the following seven years or until depleted,
4 whichever occurs earlier.

5 Sec. 50. Section 404A.2, subsection 4, Code 2022, is amended
6 to read as follows:

7 4. a. For a tax credit claimed by an eligible taxpayer
8 or a transferee for qualified rehabilitation projects
9 with agreements entered into on or after July 1, 2014, the
10 following percentage of any credit in excess of the taxpayer's
11 tax liability for the tax year may be refunded or, at the
12 taxpayer's election, credited to the taxpayer's tax liability
13 for the following five years or until depleted, whichever is
14 earlier:

15 (1) For the tax year beginning on or after January 1, 2023,
16 but before January 1, 2024, ninety-five percent.

17 (2) For the tax year beginning on or after January 1, 2024,
18 but before January 1, 2025, ninety percent.

19 (3) For the tax year beginning on or after January 1, 2025,
20 but before January 1, 2026, eighty-five percent.

21 (4) For the tax year beginning on or after January 1, 2026,
22 but before January 1, 2027, eighty percent.

23 (5) For tax years beginning on or after January 1, 2027,
24 seventy-five percent.

25 b. In lieu of claiming a refund, a taxpayer may elect to
26 have the overpayment otherwise eligible for a refund shown on
27 the taxpayer's final, completed return credited to the tax
28 liability for the following five tax years or until depleted,
29 whichever is earlier.

30 c. A tax credit shall not be carried back to a tax year
31 prior to the tax year in which the taxpayer redeems the tax
32 credit. As used in this subsection, "taxpayer" includes
33 an eligible taxpayer or a person transferred a tax credit
34 certificate pursuant to [subsection 3](#).

35 Sec. 51. Section 422.12N, Code 2022, is amended by adding

1 the following new subsections:

2 NEW SUBSECTION. 6. This section does not apply to a
3 geothermal heat pump installation occurring after December 31,
4 2023.

5 NEW SUBSECTION. 7. This section is repealed January 1,
6 2034.

7 Sec. 52. Section 422.33, subsection 9, paragraph a, Code
8 2022, is amended to read as follows:

9 a. (1) The taxes imposed under this subchapter shall be
10 reduced by an assistive device tax credit. A small business
11 purchasing, renting, or modifying an assistive device or making
12 workplace modifications for an individual with a disability
13 who is employed or will be employed by the small business is
14 eligible, subject to availability of credits, to receive this
15 assistive device tax credit which is equal to fifty percent of
16 the first five thousand dollars paid during the tax year for
17 the purchase, rental, or modification of the assistive device
18 or for making the workplace modifications. ~~Any~~ The following
19 percentage of any credit in excess of the tax liability shall
20 be refunded with interest in accordance with section 421.60,
21 subsection 2, paragraph "e", as follows:

22 (a) For the For the tax year beginning on or after January
23 1, 2023, but before January 1, 2024, ninety-five percent.

24 (b) For the tax year beginning on or after January 1, 2024,
25 but before January 1, 2025, ninety percent.

26 (c) For the tax year beginning on or after January 1, 2025,
27 but before January 1, 2026, eighty-five percent.

28 (d) For the tax year beginning on or after January 1, 2026,
29 but before January 1, 2027, eighty percent.

30 (e) For tax years beginning on or after January 1, 2027,
31 seventy-five percent.

32 (2) In lieu of claiming a refund, a taxpayer may elect to
33 have the overpayment otherwise eligible for a refund shown on
34 the taxpayer's final, completed return credited to the tax
35 liability for the following tax year. If the small business

1 elects to take the assistive device tax credit, the small
2 business shall not deduct for Iowa tax purposes any amount of
3 the cost of an assistive device or workplace modifications
4 which is deductible for federal income tax purposes.

5 Sec. 53. PRESERVATION OF EXISTING RIGHTS. This division
6 of this Act is not intended to and shall not limit, modify, or
7 otherwise adversely affect any amount of tax credit issued,
8 awarded, or allowed prior to January 1, 2023, nor shall it
9 limit, modify, or otherwise adversely affect a taxpayer's right
10 to claim or redeem a tax credit issued, awarded, or allowed
11 prior to January 1, 2023, including but not limited to any tax
12 credit carryforward amount.

13 Sec. 54. EFFECTIVE DATE. This division of this Act takes
14 effect January 1, 2023.

15 Sec. 55. APPLICABILITY. This division of this Act applies
16 to tax years beginning on or after January 1, 2023.

17 DIVISION IX

18 CORPORATE INCOME TAX RATES — ADJUSTMENTS

19 Sec. 56. Section 422.33, subsection 1, Code 2022, is amended
20 to read as follows:

21 1. a. A tax is imposed annually upon each corporation doing
22 business in this state, or deriving income from sources within
23 this state, in an amount computed by applying the following
24 rates of taxation to the net income received by the corporation
25 during the income year:

26 ~~a.~~ (1) On the first twenty-five thousand dollars of taxable
27 income, or any part thereof, the rate of six percent for tax
28 years beginning prior to January 1, 2021, and the rate of
29 five and one-half percent for tax years beginning on or after
30 January 1, 2021.

31 ~~b.~~ (2) On taxable income between twenty-five thousand
32 dollars and one hundred thousand dollars or any part thereof,
33 the rate of eight percent for tax years beginning prior to
34 January 1, 2021, and the rate of five and one-half percent for
35 tax years beginning on or after January 1, 2021.

1 ~~c.~~ (3) On taxable income between one hundred thousand
2 dollars and two hundred fifty thousand dollars or any part
3 thereof, the rate of ten percent for tax years beginning prior
4 to January 1, 2021, and the rate of nine percent for tax years
5 beginning on or after January 1, 2021.

6 ~~d.~~ (4) On taxable income of two hundred fifty thousand
7 dollars or more, the rate of twelve percent for tax years
8 beginning prior to January 1, 2021, and the rate of nine
9 and eight-tenths percent for tax years beginning on or after
10 January 1, 2021.

11 b. (1) (a) Notwithstanding paragraph "a", the department
12 of management and the department of revenue shall determine
13 corporate income tax rates as provided in this paragraph. A
14 tax rate in this subsection shall remain in effect until the
15 tax rate is adjusted pursuant to this paragraph.

16 (b) By November 1, 2022, and by November 1 each year
17 thereafter, the department of management shall determine the
18 net corporate income tax receipts for the fiscal year preceding
19 the determination date. If net corporate income tax receipts
20 for the preceding fiscal year exceed seven hundred million
21 dollars, the department of revenue shall adjust and apply new
22 corporate income tax rates as provided in subparagraph (2).

23 (2) (a) If a determination has been made that net
24 corporate income tax receipts for the preceding fiscal year
25 exceeded seven hundred million dollars, the department of
26 revenue shall adjust the tax rates specified in paragraph "a",
27 subparagraphs (3) and (4), and apply the adjusted rates for tax
28 years beginning on or after the next January 1 following the
29 determination date.

30 (b) (i) The tax rates subject to adjustment shall be
31 adjusted in such a way that when combined with all the other
32 rates specified in paragraph "a", the tax rates would have
33 generated net corporate income tax receipts that equal seven
34 hundred million dollars in the preceding fiscal year.

35 (ii) When adjusting the tax rates, the tax rates shall be

1 adjusted as follows:

2 (A) The tax rate in effect that corresponds with the
3 specified tax rate in paragraph "a", subparagraph (4),
4 shall first be adjusted but not below the tax rate in effect
5 that corresponds with the specified rate in paragraph "a",
6 subparagraph (3).

7 (B) If after the adjustment in subparagraph part (A) is
8 made, and an additional adjustment is necessary, the tax rates
9 that correspond with the rates specified in paragraph "a",
10 subparagraphs (3) and (4), shall be adjusted on an equal basis.

11 (iii) The tax rates adjusted pursuant to this paragraph
12 shall not be adjusted below five and one-half percent.

13 (iv) The tax rates, when adjusted, shall be rounded down to
14 the nearest one-tenth of one percent.

15 (3) If a tax rate is adjusted pursuant to this paragraph,
16 the director of revenue shall cause an advisory notice
17 containing the new corporate tax rates to be published in the
18 Iowa administrative bulletin and on the internet site of the
19 department of revenue. The calculation and publication of the
20 adjusted tax rate by the director of revenue is exempt from
21 chapter 17A, and shall be submitted for publication by the
22 first December 31 following the determination date to adjust
23 the tax rates.

24 DIVISION X

25 CORPORATE INCOME TAX — FLAT RATE

26 Sec. 57. Section 422.33, subsection 1, Code 2022, is amended
27 by striking the subsection and inserting in lieu thereof the
28 following:

29 1. A tax is imposed annually upon each corporation doing
30 business in this state, or deriving income from sources within
31 this state, in an amount computed by applying the rate of
32 five and one-half percent to the net income received by the
33 corporation during the income year.

34 Sec. 58. CONTINGENT EFFECTIVE DATE. This division of
35 this Act takes effect on the first January 1 after each rate

1 of taxation on the net income received by a corporation is
2 equalized to equal five and one-half percent pursuant to
3 section 422.33, subsection 1, paragraph "b", as amended by this
4 Act. The director of revenue shall inform the Code editor upon
5 the occurrence of this contingency.

6 Sec. 59. APPLICABILITY. This division of this Act applies
7 to tax years beginning on or after the effective date of this
8 division of this Act.

9 DIVISION XI

10 TAX EXPENDITURE COMMITTEE

11 Sec. 60. Section 2.45, subsection 5, Code 2022, is amended
12 by striking the subsection.

13 Sec. 61. Section 2.48, subsections 1 and 2, Code 2022,
14 are amended by striking the subsections and inserting in lieu
15 thereof the following:

16 1. As used in this section, "*tax expenditure*" means an
17 exclusion from the operation or collection of a tax imposed in
18 this state. Tax expenditures include tax credits, exemptions,
19 deductions, and rebates. Tax expenditures also include sales
20 tax refunds issued pursuant to section 423.3 or 423.4.

21 2. *a.* (1) The department administering a tax expenditure
22 described in subsection 3 shall engage in a review of the
23 tax expenditure based upon the schedule in subsection 3. If
24 multiple departments administer the tax expenditure, the
25 departments shall cooperate in the review.

26 (2) The review shall consist of evaluating any tax
27 expenditure described in subsection 3 and assess its equity,
28 simplicity, competitiveness, public purpose, adequacy,
29 and extent of conformance with the original purpose of the
30 legislation that enacted the tax expenditure, as those issues
31 pertain to taxation in Iowa.

32 *b.* (1) The department shall file a report detailing the
33 review with the general assembly no later than December 15 of
34 the year the credit is scheduled to be reviewed in subsection
35 3.

1 (2) The report may include recommendations for better
2 aligning tax expenditures with the original intent of the
3 legislation that enacted the tax expenditure.

4 Sec. 62. Section 2.48, subsection 3, unnumbered paragraph
5 1, Code 2022, is amended to read as follows:

6 The ~~committee~~ applicable department shall review the
7 following tax expenditures and incentives according to the
8 following schedule:

9 Sec. 63. Section 2.48, subsection 4, Code 2022, is amended
10 to read as follows:

11 4. ~~Subsequent additional review.~~ A tax expenditure or
12 incentive reviewed pursuant to [subsection 3](#) shall be reviewed
13 again not more than five years after the tax expenditure or
14 incentive was most recently reviewed.

15 DIVISION XII

16 TAXPAYER RELIEF FUND CONTINGENT TRANSFERS

17 Sec. 64. Section 8.54, subsection 5, Code 2022, is amended
18 to read as follows:

19 5. a. For fiscal years in which it is anticipated that
20 the distribution of moneys from the Iowa economic emergency
21 fund in accordance with [section 8.55, subsection 2](#), will result
22 in moneys being transferred to the general fund of the state,
23 the original state general fund expenditure limitation amount
24 provided for in [subsection 3](#) shall be readjusted to include the
25 amount of moneys anticipated to be so transferred.

26 b. For fiscal years in which it is anticipated that moneys
27 will be transferred from the taxpayer relief fund to the
28 general fund of the state in accordance with [section 8.57E,](#)
29 [subsection 2, paragraph "b"](#), the original state general fund
30 expenditure limitation amount provided for in [subsection 3](#)
31 shall be readjusted to include the amount of moneys anticipated
32 to be so transferred. This paragraph is repealed on the date
33 that section 8.57E, subsection 2, paragraph "b", is repealed.

34 Sec. 65. Section 8.57E, subsection 2, Code 2022, is amended
35 to read as follows:

1 2. a. Moneys Except as otherwise provided in this section,
2 moneys in the taxpayer relief fund shall only be used pursuant
3 to appropriations or transfers made by the general assembly
4 for tax relief, ~~including but not limited to increases in~~
5 ~~the general retirement income exclusion under section 422.7,~~
6 ~~subsection 31,~~ or reductions in income tax rates.

7 b. (1) For the fiscal year beginning July 1, 2023, and for
8 each fiscal year thereafter, if the actual net revenue for the
9 general fund of the state for the fiscal year plus the amount
10 transferred to the general fund of the state under section
11 8.55, subsection 2, paragraph "b", for the fiscal year, if
12 any, is less than one hundred three and one-half percent of
13 the actual net revenue for the general fund of the state for
14 the prior fiscal year, there is transferred from the taxpayer
15 relief fund to the general fund of the state an amount equal to
16 the difference or the remaining balance of the taxpayer relief
17 fund, whichever is lower, subject to subparagraph (2).

18 (2) The transfer made under subparagraph (1) shall not
19 exceed an amount necessary to increase the ending balance
20 of the general fund of the state for the fiscal year to one
21 percent of the adjusted revenue estimate, as defined in section
22 8.54, for the fiscal year.

23 (3) This paragraph is repealed on the date the remaining
24 balance of the taxpayer relief fund is transferred to the
25 general fund of the state under subparagraph (1).>

26 2. Title page, by striking lines 1 through 3 and inserting
27 <An Act relating to state revenue and finance by modifying
28 individual income tax rates, exemptions, and credits, corporate
29 income tax rates and credits, credits against the franchise
30 tax, the insurance premiums tax, and the moneys and credits
31 tax, and the tax expenditure committee, making contingent
32 transfers from the taxpayer relief fund, and including
33 effective date and applicability provisions.>